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**VIA HAND DELIVERY AND ELECTRONIC MAIL**

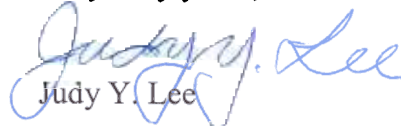
Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Second Floor  
Boston, MA 02110

Re: D.T.E. 03-98 – Petition of Towns of Franklin and Swampscott

Dear Secretary Cottrell:

On behalf of Massachusetts Electric Company (“Company”), I am enclosing for filing one (1) original and eight (8) copies of the Company’s Initial Brief in the above-captioned matter. Thank you very much for your time and attention to this matter.

Very truly yours,

  
Judy Y. Lee

cc: William Stevens, Hearing Officer  
Jody Stiefel, Legal Division  
James Byrnes, Rates and Revenues Requirements Division  
Joseph Passaggio, Rates and Revenues Requirements Division  
Sean Hanley, Rates and Revenues Requirements Division  
John Shortsleeve, Esq.  
Joseph Rogers, Esq.

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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Petition of the Towns of Franklin and Swampscott,  
pursuant to G.L. c. 164. § 34A, for approval by the  
Department of Telecommunications and Energy  
to resolve a dispute between the Towns  
and Massachusetts Electric Company,  
with respect to the Towns' purchase of  
street lighting equipment.

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D.T.E. 03-98

**INITIAL BRIEF OF MASSACHUSETTS ELECTRIC COMPANY**

**I. BACKGROUND**

In this proceeding, the towns of Franklin and Swampscott ("Petitioners") have asked the Department to resolve their dispute with Massachusetts Electric Company ("Mass. Electric" or "Company") regarding the purchase price methodology and the allocation of the value of the streetlights and associated equipment ("Streetlight Facilities") located in the respective towns. Following discovery and four days of evidentiary hearings, on February 24 and 25, March 8, and April 13, 2004, the record is clear that Mass. Electric has calculated the purchase price consistent with Mass. Gen. Laws c. 164 § 34A and the Department's applicable directives regarding the calculation of streetlight prices, set forth in D.T.E. 01-25.

In their initial petition dated October 15, 2003, the Petitioners asked the Department for a public hearing to review the purchase prices for the streetlight facilities ("Purchase Prices") provided to the Petitioners and the Company's purchase price methodology, the application of the streetlight value allocation proposed by the

Petitioners in their August 14, 2003 letter (Exhibit MECO-22, pp. 245-47) to the Company, and the establishment of purchase prices for the Streetlight Facilities (“Purchase Prices”) using an analysis put forward by the Petitioners’ consultant, Stone & Webster. The record is equally clear that Petitioners lack any basis in fact or law to support these requests for relief. As the Company demonstrates in this Initial Brief, there is absolutely no basis in the record for the alternative 90/10 allocation Petitioners request, nor any support for the Petitioners’ request to establish the Purchase Prices consistent with Stone & Webster’s analysis. Petitioners’ requests for relief must be denied, and the Department should find that Mass. Electric calculated the Purchase Prices of the Petitioners’ streetlight facilities correctly.

## **II. STATEMENT OF FACTS**

On February 19, 2003, the Company received a letter from Franklin giving notice of Franklin’s intent to purchase streetlights. Exhibit MECO-1, pp. 3-5. Around that same time, Mass. Electric received a letter from Swampscott giving notice of its intent to purchase streetlights. Exhibit MECO-2, p. 8-9. In response, Mass. Electric calculated preliminary Purchase Prices and provided this information to the Petitioners. Exhibit MECO-3, pp. 15-35 and Exhibit MECO-4, pp. 92-99.

In order to determine the Purchase Prices, the Company followed the Department’s directives in D.T.E. 01-25, as addressed more fully in Section III.A of this Initial Brief. Exhibit MECO-46, p. 5-6. Following this methodology, Mass. Electric applies annual depreciation rates, approved by the Department in general rate cases, to arrive at the unamortized values of the plant in-service for the period of time the

streetlight plant has been in-service. Exhibit MECO-46, pp. 2-4. Mass. Electric tracks its plant investment with its Asset Management System (“AMS”), a computerized subsidiary system that details all of the Company’s plant investment reported on its balance sheet. Id. The vintage years associated with the Company’s plant investment in AMS range from 1963 to the present. Id. If the streetlight plant has been in-service longer than the estimated useful life upon which the depreciation rates are based, the unamortized values of the streetlight plant are allowed to become negative. Id. at 4. In addition, Mass. Electric has retirement data of its streetlight plant by community dating back to 1964, including the original year of addition and related cost of the plant addition, and these values are depreciated in the same manner as the depreciation of plant in-service. Id. at 4-5. This results in a comparable unamortized value of retired streetlight plant as is calculated above for streetlight plant in-service. Id. at 5.

Mass. Electric allocates these values to all plant, both municipal and private, being served in the respective community to determine the per-unit prices. Id. at 6-8. The community’s total Purchase Price is then determined based on the number of units serving the community, multiplied by the unit prices. Id. at 8. Using this methodology, Mass. Electric calculated final Purchase Prices of \$430,951.75 for the Town of Franklin and \$209,450.67 for the Town of Swampscott and provided them to the Petitioners on May 22, 2003 and April 17, 2003, respectively.<sup>1</sup> Exhibit MECO-14, pp. 219-25 and Exhibit MECO-11, pp. 213-16. Mass. Electric also provided the Petitioners with back-up documentation substantiating these calculations. Id.

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<sup>1</sup> Prior to the provision of final purchase prices on these dates, Mass. Electric had provided preliminary purchase prices to the Petitioners, subject to change pending Mass. Electric’s completion of a final field audit of the Streetlight Facilities.

The Company has been waiting to close the transaction ever since that time, and has requested that the Petitioners provide a closing date to the Company several times. See, e.g., Exhibits MECO-14, p. 219; MECO-18, p. 233; MECO-20, p. 240, and MECO-23, p. 250. Executed copies of the Purchase and Sale Agreement and the License Agreement are prerequisites to the closing of the sale of the streetlights. The parties successfully finalized the language of the Purchase and Sale Agreement and License Agreement in September 2003 to their mutual satisfaction, but could not reach agreement on the Purchase Prices. The Purchase and Sale Agreement and License Agreement are not at issue in this proceeding. Exhibit MECO-45, pp. 13-14.

### **III. ARGUMENT**

A. Mass. Electric Calculated the Streetlight Purchase Prices in accordance with Mass. Gen. Laws c. 164, § 34 A and D.T.E. 01-25.

Mass. Gen. Laws c. 164 s 34A provides that if a municipality wishes to purchase its streetlights, it must reimburse the distribution company its unamortized investment, net of any salvage value, for the streetlight plant. The Department has provided further guidance on how to calculate the purchase price in D.T.E. 01-25, which as the Hearing Officer noted, is the methodology currently in place. Transcript at p. 279.

In D.T.E. 01-25, the Department reviewed the purchase price methodology of Commonwealth Electric Company (“Commonwealth”) regarding a dispute resolution with the towns of Edgartown, Harwich, and Sandwich. In order to determine its unamortized investment, Commonwealth had computed a theoretical depreciation reserve for Commonwealth-wide streetlights, and adjusted that theoretical depreciation reserve to

equal the actual depreciation reserve for Commonwealth-wide streetlights. D.T.E. 01-25 at 5. Commonwealth then allocated the resulting actual system-wide streetlight depreciation reserve to the petitioning towns, and subtracted it from the original costs of the existing streetlights. Id. Since Commonwealth did not compute streetlight depreciation on a unit of property basis, Commonwealth could not specifically identify the actual accumulated depreciation reserve for the streetlights. Id. The Department found this use of a depreciation study not reasonable or appropriate, however. Id. at 6, 7. The Department stated that in the absence of town-specific data on the cost of early retirements, unamortized investment shall be determined by subtracting the accumulated depreciation from the original cost of the community's streetlights being acquired. Id. In addition, a utility should continue to calculate depreciation, even if the unamortized value becomes negative. Id.

As discussed above, the record is clear that Mass. Electric's methodology is consistent with these requirements. Mass. Electric bases its price on streetlight investment recorded on its books for the town in question. Exhibit MECO-47, p. 6. The Company calculates depreciation annually on the in-service streetlight plant using annual depreciation rates in effect during the applicable year for which it is calculating depreciation. Exhibit MECO-46, pp. 2-4. The Company is continuing to calculate depreciation, even if the unamortized value becomes negative. Id. at 4 and Exhibit MECO-47, p. 9. Finally, Mass. Electric is adding back the cost of early streetlight retirements within the town because it has that information at the town level. Exhibit MECO-46, pp. 4-5 and Exhibit MECO-47, p. 9. The Company is calculating depreciation on retirements in the same manner that is calculating depreciation on in-

service plant; should the unamortized value become negative, Mass. Electric continues to calculate depreciation until the year of retirement. Id. Thus, the Department should find that Mass. Electric's calculation of the purchase price was accurate.

B. D.T.E. 01-25 Is the Applicable Standard in this Dispute Resolution, Not D.T.E. 98-89.

Notwithstanding the Hearing Officer's statement that D.T.E. 01-25 sets forth the Department's directive's on purchase price methodology, (Transcript at p. 279), Petitioners appear to argue that Mass. Electric's calculation does not comply with D.T.E. 98-89 and that it should. For example, Mr. Nutting states that Mass. Electric's purchase price calculations are different under D.T.E. 98-89 and D.T.E. 01-25, unlike other communities, all of which are located in Boston Edison Company's service territory. See, e.g., Exhibit JDN-2A, p. 4. Mr. Nutting further states that he does not "understand the disconnect," although perhaps if he had read D.T.E. 98-89 and D.T.E. 01-25, he would have. Id., Transcript at pp. 571-72 and 621-22.

D.T.E. 98-89 involved a dispute resolution between Boston Edison Company and the towns of Lexington and Concord. In its order, the Department stated that Boston Edison Company could determine depreciation in one of three ways: (1) use the rate that the petitioning towns proposed; (2) allocate the streetlight specific depreciation rate from the last depreciation study to the gross streetlight plant in service, net of accumulated depreciation; or (3) perform a depreciation study, and allocate a streetlight specific depreciation rate to the gross streetlight plant in service, net of accumulated depreciation, for the period from the last depreciation study. D.T.E. 98-89 at p. 4. As set forth above,

the Department subsequently determined, in D.T.E. 01-25, that the third alternative, the use of the depreciation study, was not appropriate. Thus, a distribution company which had been using a depreciation study to determine depreciation pursuant to D.T.E. 98-89 needed to change its methodology once the Department issued its letter order in D.T.E. 01-25.<sup>2</sup> This is exactly what happened to Mass. Electric. Mass. Electric used a depreciation study in the past, but once the Department issued its order in D.T.E. 01-25, it needed to change its methodology. Exhibit MECO-46, p. 10.

In addition, as depreciation rates are utility specific, the depreciation rates used by Boston Edison Company were presumably approved by the Department for Boston Edison Company and are irrelevant for Mass. Electric.

Otherwise, the calculations and methodology that Boston Edison Company and Mass. Electric use are consistent, as Petitioners' expert witness Moody stated. (Transcript at pp. 292, 339)

C. Mass. Electric Uses All Known and Available Information To Calculate Purchase Prices.

The record is clear that Mass. Electric's asset management system ("AMS") database tracks the Company's streetlight plant investment for vintage years 1963 to the present and streetlight plant retirement information from 1964 to the present. See, e.g., Information Request D.T.E. 1-9 and Exhibit MECO-46, pp. 4-5). The Petitioners have gone to great lengths, even going as far as to hire Stone & Webster as their outside consultant, to show what the Company has been telling the Petitioners all along – namely,

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<sup>2</sup> Conversely, a utility which was not using a depreciation study to calculate depreciation would not need to change its methodology once the Department decided D.T.E. 01-25. This is the case with Boston Edison Company.

the unavailability of retirement data for years prior to 1964. Exhibit MECO-46, p. 4.

The Petitioners instructed Stone & Webster to re-sort the data that Mass. Electric had provided, on a vintage year basis, as if the re-sort revealed heretofore undiscovered and undisclosed information. See, e.g., Exhibit AWM-2.

On the basis of the unavailability of streetlight plant investment data prior to 1963 and streetlight plant retirement information prior to 1964, the Petitioners argue that the unavailable information serves to increase the Purchase Prices for the Streetlight Facilities to the detriment of the Petitioners. The Petitioners cannot produce any facts to support this assertion, but rely on unprovable assumptions to try and make their case. For example, Mr. Andrew Maylor, town administrator of Swampscott, testified that if the value of the incandescent streetlight retirements that allegedly took place in 1950 and 1955 were factored into the Purchase Price calculation, the resulting credit “would more than offset the 61,000 [the positive retirement value] that [Swampscott is being] asked to pay as part of the \$208,000 purchase of the town’s streetlights.” Transcript at p. 64. The Petitioners' witness, Mr. David C. Moody, also testified that his only basis for assuming that pre-1964 retirement data would reduce Petitioners' purchase prices was “experience.” Transcript at p. 320.

Mr. Currie’s testimony shows that these assumptions are incorrect, however. As he pointed out, for the forty year period from 1964 to 2003 for which the Company has retirement information, only one year out of forty yielded a net credit to the pricing calculation in Swampscott and only four years out of forty yielded a net credit to the pricing calculation in Franklin. Exhibit MECO-46, pp. 7-8. Thus, it is unlikely that the inclusion of any additional retirement information prior to 1964 would serve to decrease

the Purchase Prices, as argued by Petitioners. Moreover, the Department itself asked Mr. Andrew Maylor during the February 24, 2004 hearing whether it was fair to infer that the unavailable retirement values prior to 1964 would yield a positive value, given that the retirement values after 1964 that the Company was able to identify yielded a positive value. Mr. Maylor replied, "I think you could infer that." Transcript at pp. 178-79.

Finally, Petitioners' insinuations regarding incomplete plant investment data prior to 1963 are simply not true. Gross plant investment used in the purchase price calculation includes all additions made to towns that have not been retired. All of the gross plant investment can be reconciled to the Company's financial statements. There are no omissions of plant investment." Information Request Towns 1-11. The Department's questioning of Mr. Maylor during the February 24, 2004 hearing also brought out the fact that for Swampscott, very little of the Company's gross plant investment could be attributed to 1963 or prior (approximately \$10,000), as compared with a total Company plant investment of \$588,091 at January 31, 2003, and that -\$9,000 was associated with the unamortized value for 1963 and prior, as compared to the unamortized value of the Company's existing plant as of January 31, 2003 of \$166,600. Mr. Maylor agreed with the Department's statements. Transcript at pp. 174-76, 182-83.

The Company recognizes that having more information would allow the Company to effect a greater refinement of the Purchase Price calculation, but in the absence of perfect information, all parties must rely on extant information. After all, Mass. Gen. Laws c. 164, §34A requires the Petitioners to compensate the Company for its unamortized investment in the lighting equipment, and the Purchase Prices reflect what is on the Company's books of account, kept in accordance with all applicable

accounting standards.

The Department recognized as much when it asked Mr. Maylor during the February 24, 2004 hearing whether, “results emanating from data that can be specifically identified should carry greater weight than imaginary or hypothetical data.” Mr. Maylor agreed that, “[d]ata is certainly better than the absence of data. . . .” Transcript at pp. 180-82. Given that the Company has used all known and available information in performing its Purchase Price calculations for the Petitioners and also given the impossibility of knowing with certainty how the Purchase Prices would change even if more information were available, the Department should find that the Company’s Purchase Price methodology is fair and consistent.

D. The Depreciation Rates Used by the Company in Calculating Purchase Prices Are Appropriate.

The Department should find that the depreciation rates used by the Company prior to 1971 were appropriate. The Company has explained that it uses streetlight-specific depreciation rates to record book depreciation and reports these streetlight-specific depreciation rates to FERC in its FERC Form 1 filings. The depreciation rates would have been approved by the Department in a base rate case proceeding or settlement prior to implementation by the Company. In addition, depreciation rates are utility-specific and may vary from utility to utility. As explained by Mr. John Currie, the four percent depreciation rate used by the Company prior to 1971 was based on the best information available to the Company and supported by the composite rates in effect during the 1960’s, which did not dramatically change over that period. Transcript at pp. 521-23.

The Petitioners argue that the depreciation rate should have been higher prior to 1971, but provide no proof in support of this argument. The Petitioners point to Boston Edison Company's higher depreciation rates in D.T.E. 98-89 as evidence that the Company's depreciation rates prior to 1971 should also be higher, but concede that depreciation rates are company-specific.<sup>3</sup> The Petitioners also argue that the Company's depreciation rates should be higher because the plant investment in the respective towns reflects positive values. Transcript at pp. 519, 521. As Mr. Currie testified, this is not a valid argument, because:

The depreciation rates that were used [were] based on a companywide depreciation study [reflecting] the retirement patterns that have occurred across all of our communities, not just one community. [The Company cannot] arbitrarily use a rate that might allow us to fully recover our investment on one community and a different rate on another community." Transcript at pp. 520-21.

In addition, the depreciation rates would have been approved by the Department and supported by depreciation studies conducted at that time, and were not necessarily created for the sole purpose of recouping all of the Company's streetlight plant investment at the time of the asset retirement or conversion. Transcript at pp. 521-22.

In the end, the Petitioners themselves admit that they have no reason not to believe "that the rates used by the company were not rates approved by the Department"<sup>4</sup> and the Petitioners are only left with unsupported assertions that because other utilities used higher depreciation rates, the Company's depreciation rate "should be more in line with other communities' depreciation." Bench Examination of Jeffrey D. Nutting, Transcript at p. 593.

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<sup>3</sup> "I would grant you that [the rate of depreciation is company-specific]." (Counsel for the Petitioners, Tr. page 513)

<sup>4</sup> Bench Examination of Jeffrey D. Nutting, Transcript at p. 618.

E. Mass. Electric Is Appropriately Allocating Value to Streetlights in the Respective Towns.

As described in the direct testimony of Ms. Theresa M. Burns, the Company uses a revenue allocator to allocate the unamortized value of the streetlight plant to the various streetlight and pole types located within the community. Exhibit MECO-47, p. 7. As testified by Ms. Burns, the Company derives a revenue allocator to reflect the “cost differences between the various sizes and types of streetlights and poles” in the pricing process. Id. The Company designs streetlight rates “to reflect the cost of a particular streetlight or dedicated pole,” and thus, “the relationship between the various rates should reflect the relationship between the various costs.” Id. The Company’s use of a revenue allocator is a reasonable way to reflect these cost differences.

The Petitioners argue that the use of a revenue allocator unfairly burdens older municipal streetlights with the value of newer private/commercial streetlights and initially advocated the use of a vintage-based allocation method. Exhibit MECO-45, p. 17. The record is clear, however, that the Company’s information systems do not distinguish between municipal and private customers, and the dates in the Company’s streetlight billing system do not reflect the original installation dates of the streetlighting fixtures in the towns, but rather the date on which the streetlighting record was last updated. Exhibit MECO-47, pp. 10-12. Thus, using the dates in the streetlight billing system would not yield accurate installation dates for the streetlights. Id. For this very reason, the Company withdrew this method after unsuccessfully attempting to employ it in Haverhill. Id. In addition, although the Petitioners repeatedly argued the age

discrepancy of certain streetlights and dedicated poles in Haverhill,<sup>5</sup> in fact, the ultimate purchase price of the streetlights and dedicated poles in Haverhill was not based upon a vintaged-based allocator, but on a revenue allocator contained in the Company's Prior Methodology that was the same revenue allocator the Company used in calculating the Purchase Prices for the Petitioners. Exhibit MECO-45, p. 20.

The Petitioners then retained Stone & Webster for the purpose of performing another value allocation more favorable to the Petitioners, but this value allocation lacked any factual support. As Mr. David C. Moody testified at the February 25, 2004 hearing, he neither agreed nor disagreed with the Petitioners' 90% private/10% municipal proposal and was not "testifying to this analysis. It's not a part of my exhibits."

Transcript at p. 352. Mr. Moody went on to state:

[T]here were no facts involved [regarding the towns' assumption that 90% of the additions and retirements was attributable to commercial/private equipment and 10% was attributable to municipal equipment]. It was only an estimate or perhaps a what-if. . . . Somebody explained that based on a lot of things they knew, the ratio may change and can you run an analysis just in case it happens to be as much as 90/10. And as I've said, that's the extent of my knowledge on it. . . . [Mr. Shortsleeve] just asked me, please do a 90/10 analysis. No information provided at all except for the request to do it. (Transcript at 358-59)

Thus, the 90/10 allocation proposal set forth in the Petition is simply the product of unsubstantiated assumptions and conjectures. There is no evidence whatsoever on the record to substantiate the appropriateness of the 90/10 proposal. Both Mr. Maylor and Mr. Fitzgerald testified that they had no knowledge of it, and Mr. Fitzgerald stated that he did not have a specific allocator to recommend. Transcript at pp. 162-63, 231. This does not constitute evidence on which the Department can base a decision.

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<sup>5</sup> See, e.g., Transcript at pp. 409-12.

Similarly, the Stone & Webster allocations reflected in table 10 of DCM-4 for the towns of Swampscott and Franklin are the product of a largely unsubstantiated sense on the part of the Petitioners that the level of streetlight activity undertaken by Mass. Electric since the sodium conversion in the respective towns has been minimal and unproven inferences about the capital replacement fees and frequencies in Swampscott and Franklin from a Brite-Lite report of questionable evidentiary value. Transcript at pp. 298, 332, and 345-46. The Hearing Officer in this proceeding ruled that the Brite-Lite report was of limited evidentiary value and not to be used to draw conclusions about the Petitioners, since the report only focused on four towns in NSTAR's service territory and was not shown to be a representative sample. Transcript at p. 88. Moreover, nothing in the record shows what Brite-Lite's maintenance and construction standards are, as compared to the Company's maintenance and construction standards, and the report only covers a very limited period of time. Transcript at pp. 603-04 and Exhibit JKC-1. Mass. Electric has explained to the Petitioners on several occasions that plant activity is not merely restricted to the installation of street lighting fixtures, as the Petitioners suggest. Exhibit MECO-45, p. 18. Plant additions also represent activity related to replacements due to failure, replacements due to upgrades and downgrades (requests for lower or higher wattages), replacements due to damage (e.g., vandalism, storm, vehicular), and other factors. Id. Further weakening these analyses is the failure to allocate the value of retired streetlight plant investment,<sup>6</sup> and the utter lack of analysis of any period of time other than the post sodium conversion period.<sup>7</sup>

Additionally, as Ms. Burns has testified, the unavailability of certain necessary

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<sup>6</sup> Tr. pages 301-02 and 614.

<sup>7</sup> Tr. page 356.

information (whether from the Petitioners or Mass. Electric) makes it impossible “to develop an allocation of unamortized value between municipal customers and private customers in the way proposed by the Towns.”<sup>8</sup> Unlike Commonwealth Electric Company, which maintains in its plant records the vintage for the number of streetlights serving municipal customers and the number of streetlights serving private customers and is therefore able to allocate annual unamortized value to each group based on the number of streetlights installed each year serving each group, Mass. Electric does not possess this kind of information. If Mass. Electric were to take the Petitioners' proposal under serious consideration, private customers could argue that during the sodium vapor conversion years, all streetlight activity related solely to the municipality since the conversion was initiated by the municipality and only involved streetlights serving the municipality. Thus, private customers could not be held responsible for any streetlight activity during the years of the conversion. Even worse, due to the fact that post-sodium conversion allocation information regarding streetlight additions for municipal versus private customers is not available to the Company or any other municipality in its service territory, there could not be a consistent, accurate, and timely purchase price methodology for municipalities interested in purchasing streetlight facilities.<sup>9</sup>

Stone & Webster took the additional step of applying Franklin's 33% town/67% non-town allocation for existing plant value found in table 10 to the 1997 tax net book value for Franklin, adjusted to 2004 values, to arrive at a value of approximately \$127,000 of net book value for Franklin's streetlight assets. Exhibit DCM-4, table 11. Stone & Webster performed this analysis despite D.T.E. 01-25's prohibition against using

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<sup>8</sup> Ex. MECO-47, Direct Testimony of Theresa M. Burns, page 13

<sup>9</sup> Id. at 13-14.

depreciation studies to calculate streetlight purchase prices, since the 1997 tax net book value for Franklin was derived using a depreciation study. Mr. Moody testified that he observed differences in the book values for property tax and streetlight purchase price purposes,<sup>10</sup> but the Department itself noted during the April 13, 2004 hearing that “in [D.T.E.] 01-25 the determination of how you calculate selling price or unamortized value [is] done irrespective to whatever method is used to calculate value for tax purposes.” Transcript at p. 621. Perhaps if the Petitioners or their witnesses had given D.T.E. 01-25 a thorough read, as they readily admit they have failed to do, the Petitioners would not have gone to the trouble of performing such pointless analyses and would have expended less of the Department’s time. Transcript at pp. 173, 316, and 621-22.

Even more telling is Mr. Moody’s testimony regarding the streetlight Purchase Price calculations prepared for the city of Waltham, as shown on DCM-3. Other than the fact that Mass. Electric’s analysis started in 1963, rather than 1944 as for Boston Edison Company, Mr. Moody testified that his belief was that the arithmetic and the analysis was the same for both utilities’ Purchase Price calculations. Transcript at pp. 292, 339.

Finally, the Department should take note of the fact that Stone & Webster refused to apply the Franklin allocation percentages to the total plant value calculated by Mass. Electric and document this analysis on their letterhead.<sup>11</sup> Moreover, Stone & Webster did not specifically make a recommendation that the Petitioners “do anything” with the prepared analyses. As Mr. Moody testified, “[The Petitioners] have told me certain facts, asked me to make certain assumptions, and I have produced an analysis on that basis. And my intention is that that is the end of my involvement.” Transcript at pp. 349-50.

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<sup>10</sup> Tr. page 285

<sup>11</sup> Exhibit JDN 2A, Direct Testimony of Jeffrey D. Nutting, page 14

F. Uncertain Missing Depreciation Values for Certain Streetlight Assets  
Should Not Be Applied to Purchase Prices.

Although the absence of vintage information for brackets and foundations would tend to raise the streetlight purchase prices because the Company cannot give a credit for depreciation, and the Department has asked the Company in a record request to develop an estimate of the reserve balance related to the transfer of brackets and foundations in 1980 and 1983, respectively, the Company does not recommend revising the purchase price to incorporate this estimate. Mass. Gen. Laws c. 164, §34A(b) requires the purchasing municipality to compensate the owner of the streetlight assets for the unamortized balance in the lighting equipment to be sold. In D.T.E. 01-25, the Department ruled that the purchase price can only include values that are known and municipality-specific. The Company does not know for certain how much depreciation it had already taken on the brackets and foundations prior to reclassifying them from the mass plant account to their own subaccounts, and thus does not believe it would be proper to include such an estimate in the purchase prices. For the same reason, as addressed in Mr. Currie's direct testimony, the Company has not to date included any amounts for costs of removal. Exhibit MECO-46, pp. 9-10. If the Department were to find that the Company should incorporate an estimate for the reserve balance of brackets and foundations, the Company reserves the right to make such an estimate for costs of removal.

#### **IV. CONCLUSION**

For the reasons set forth above, the Company respectfully requests that the Department find the Company's purchase price methodology to be consistent with D.T.E. 01-25 and deny the Petitioners' other requests for relief.

Respectfully submitted,

MASSACHUSETTS ELECTRIC COMPANY  
By its attorneys,

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Dated: April 23, 2004